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| Date Mailed January 14, 2005 |
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BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

In the Matter of Prescribing a Uniform System of
Accounts for Class A and Class B Telephone Utilities

05-US-116

DECISION

This is a decision in the matter concerning changes to the Uniform System of Accounts (USOA) for Class A and Class B telephone utilities as a result of a request from the incumbent local exchange carriers (ILECs) concerning nonregulated accounting and discussions concerning informal reporting requirements continued or initiated by the Commission in docket 05-US-113. The changes approved herein will be effective January 1, 2004. This decision is issued pursuant to delegated authority previously granted to the Commission's Telecommunications Division Administrator or designee.

Introduction

On December 20, 2002, the Commission issued its decision in docket 05-US-113 approving modifications to the USOA for Class A and Class B Telephone Utilities effective January 1, 2003. The USOA approved by the Commission included only a small number of variations from the Federal Communications Commission's (FCC) USOA¹ so as to limit, to the extent possible, the accounting burden on the ILECs. The USOA approved by this Commission modified the accounting applied by ILECs, other than Wisconsin Bell, Inc. a/k/a SBC Wisconsin f/k/a Ameritech Wisconsin, and Verizon North Inc. (Verizon), for nonregulated activities. On

¹ The FCC's USOA is contained in Part 32 of its rules (47 C.F.R. Part 32).

September 5, 2003, the Commission issued a Notice of Reopening and Supplemental Order Correcting Errata in Final Decision's Appendix B addressing errors in the previously-issued Appendix B. The Commission's December 20, 2002, decision also continued or initiated an informal reporting requirement in the annual report required of all ILECs under Wis. Stat. § 196.07 to enable the Commission to perform small ILEC equity thin and earnings calculations, determine assessable revenues for remainder, telephone relay, and universal service fund assessment purposes, and exercise other regulatory responsibilities. The Commission also prescribed data retention requirements for ILECs so that they could respond to *ad hoc* data requests in order to meet regulatory needs that may arise from time to time in the future.

On November 11, 2004, the Wisconsin State Telecommunications Association, Inc. (WSTA), on behalf of the ILECs, requested a return to utilizing accounts 1406, Nonregulated Investments, and 7990, Nonregulated Net Income, for nonregulated activities. WSTA believes that this change, if adopted by the Commission, will result in a significant reduction in nonregulated reporting in the ILEC annual report. The Commission has interpreted this request to have an effective date of January 1, 2004, to also be applicable to all related references to nonregulated items in the system of accounts, and to be applicable to all ILECs other than SBC Wisconsin and Verizon.

Findings of Fact

1. It is reasonable for all ILECs, other than SBC Wisconsin and Verizon, to return to utilizing accounts 1406 (Nonregulated Investments) and 7990 (Nonregulated Net Income) for nonregulated activities, and all applicable related

references to nonregulated items in the system of accounts, effective January 1, 2004.

2. It is reasonable to no longer continue several of the informal annual report requirements the Commission set forth in docket 05-US-113² or to modify such requirements as itemized below.³
 - a. Streamline reporting of regulated/nonregulated amounts (in conjunction with approval of the ILECs' proposal to use accounts 1406, Nonregulated Investments, and 7990, Nonregulated Net Income);
 - b. Eliminate reporting of affiliated/nonaffiliated amounts associated with former accounts 1160 (Temporary Investments), 1180 (Telecommunications Accounts Receivable), 1190 (Other Accounts Receivable), 1200 (Notes Receivable), 1210 (Interest and Dividends Receivable), 1401 (Investments in Affiliated Companies), 1408 (Sinking Funds), and 4260 (Advances from Affiliated Companies);
 - c. Eliminate telecommunications/other receivables and allowances detail in former accounts 1180, 1181 (Accounts Receivable Allowance-Telecommunications), 1190, and 1191 (Accounts Receivable Allowance-Other);
 - d. Eliminate former subaccounts 2123.1 (Office Support Equipment) and 2123.2 (Company Communications Equipment) information;

² In its order dated December 20, 2002, the Commission elected in a number of instances to not establish accounts/subaccounts different from those of the FCC, but rather to continue or initiate an informal reporting requirement in the ILEC annual report required under Wis. Stat. § 196.07.

³ In many cases, summary or primary account information will continue to be reported.

e. Eliminate reporting of amounts related to former accounts 3500 (Accumulated Amortization-Intangible), 4210 (Funded Debt), 4250 (Obligations Under Capital Leases), 4260, 4270 (Other Long-Term Debt), 7310 (Dividend Income), 7320 (Interest Income), 7330 (Income from Sinking and Other Funds), 7340 (Allowance for Funds Used During Construction), 7350 (Gains or Losses from the Disposition of Certain Property), 7360 (Other Nonoperating Income), and 7370 (Special Charges); and

f. Eliminate reporting by Class B ILECs of amounts pertaining to accounts 3410 (Accumulated Amortization-Capitalized Leases), 3420 (Accumulated Amortization-Leasehold Improvements), 6511 (Property Held for Future Telecommunications Use Expense), 6512 (Provisioning Expense), 7210 (Operating Investment Tax Credits-Net), 7220 (Operating Federal Income Taxes), 7230 (Operating State and Local Income Taxes), 7240 (Operating Other Taxes), and 7250 (Provision for Deferred Operating Income Taxes-Net).

Conclusion of Law

The Commission has jurisdiction under Wis. Stat. §§ 196.02, 196.06, and other provisions of Wis. Stat. ch. 196 as may be pertinent hereto, to prescribe and amend uniform accounting systems for those utilities subject to its jurisdiction.

Opinion

Nonregulated Accounting

When the Commission issued its USOA order in docket 05-US-102, in October 1987, only SBC Wisconsin and Verizon were classified as ILECs subject to “dual jurisdiction,” in other words, subject to the jurisdiction of both the FCC and this Commission concerning accounting practices. These two ILECs were provided an option with respect to accounting for nonregulated activities whereby they could opt to either follow the FCC’s or this Commission’s prescribed accounting. ILECs other than SBC Wisconsin and Verizon were required to follow, without option, the Commission’s prescribed accounting for these activities. In docket 05-US-113, industry commenters posited that all ILECs, not just SBC Wisconsin and Verizon, were subject to dual jurisdiction, in that all ILECs are required to follow the FCC’s USOA. In its Final Decision in docket 05-US-113, the Commission agreed with the commenters in that respect, and, accordingly, determined that it was reasonable to eliminate certain differing accounting requirements for nonregulated activities within the ILEC category of telecommunications providers. However, the Commission stated that identification of nonregulated amounts in annual reports filed with the Commission should continue as an informal requirement applying to all ILECs, as appropriate.

In the present docket, WSTA requests a change back to the former accounting requirements for nonregulated activities that were in place prior to January 1, 2003. The Commission agrees that the change will result in a reduction in nonregulated reporting in the ILEC annual report; however, it will not totally eliminate the informal annual report requirement for regulated/nonregulated amounts specified in the Commission’s 05-US-113 Final Decision.

Based on the ILECs' experience with the existing Wisconsin system of accounts, the Commission considers it appropriate to grant the request to utilize accounts 1406 and 7990 for nonregulated activity for all ILECs, other than SBC Wisconsin and Verizon, effective January 1, 2004.⁴ The Commission also considers it appropriate to implement changes to all related references to nonregulated items in the system of accounts effective January 1, 2004, as shown in attached Appendix B.

Other Accounting Matters

For certain purposes, activity associated with coinless, coin-operated (including public and semi-public), credit card and pay telephones installed for the use of the public, other than that pertaining to public interest pay telephones, was deregulated by the Federal Communications Commission in 1997. Miscellaneous language changes are necessary to reflect this change in regulated status.

In addition, two items that existed in the system of accounts until December 31, 2002, were inadvertently not incorporated in the existing system of accounts approved by the Commission in docket 05-US-113. First, in a supplemental order mailed May 4, 1989, in docket 05-US-102, the Commission adopted specific language in Accounts 5264 (now Account 5200) and 6623 to record revenues and expenses, respectively, associated with third party information and materials included by the utility with customer billings. Second, in a supplemental order mailed June 18, 1993, in docket 05-US-102, the Commission adopted language concerning gains or losses associated with debt refinancing in § 32.6999(c) contained in subpart F, Instructions for Other Income Accounts.

⁴ This change does not affect SBC Wisconsin or Verizon, both of which will continue to follow the FCC's accounting for nonregulated activities.

The industry does not object to inclusion of all three of these modifications in the system of accounts and, accordingly, the Commission will adopt language changes associated with these items, as shown in attached Appendix B.

Annual Reports

In its Final Decision in docket 05-US-113, the Commission specified a number of informal annual report requirements. As noted above, subsequent informal discussions between industry and Commission staff have resulted in agreement that a number of these requirements are no longer necessary or may be modified in order for the Commission to exercise its regulatory responsibilities. The Commission agrees and considers it reasonable to authorize elimination or modification of the informal annual report requirements discussed above effective January 1, 2004. The practical effect of this change is to eliminate these items from the 2004 ILEC annual report which is due April 1, 2005.

Order

1. The Uniform System of Accounts for Class A and Class B Telephone Utilities as prescribed, revised, and amended effective January 1, 2003, in docket 05-US-113 on December 20, 2002, and September 5, 2003, and in docket 05-US-115 on January 31, 2003, is hereby further amended effective January 1, 2004, as set forth in the attached Appendix B.

2. Any expiration of existing suspensions, or revision or amendments as made or adopted by the FCC subsequent to the effective date of this order will not be effective for Wisconsin jurisdictional purposes without order by this Commission.

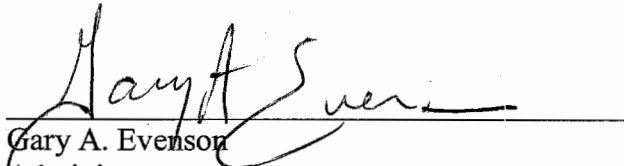
3. ILECs shall continue to comply with the informal reporting requirements, as amended herein effective January 1, 2004, applicable to the requirement to file an annual report pursuant to Wis. Stat. § 196.07.

4. ILECs shall continue to retain, for a minimum of six years, accounting information for which a data retention requirement, as detailed in the Commission's December 20, 2002, decision in docket 05-US-113, was established.

5. The Commission retains continuing jurisdiction over utility accounting systems and this docket shall remain open to permit subsequent supplemental orders.

Dated at Madison, Wisconsin, 14 January 2005

For the Commission:



Gary A. Evenson
Administrator
Telecommunications Division

GAE:KHK:slg:g:order\pending\05us116 04 changes

See attached Notice of Appeal Rights

Notice of Appeal Rights

Notice is hereby given that a person aggrieved by the foregoing decision has the right to file a petition for judicial review as provided in Wis. Stat. § 227.53. The petition must be filed within 30 days after the date of mailing of this decision. That date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

Notice is further given that, if the foregoing decision is an order following a proceeding which is a contested case as defined in Wis. Stat. § 227.01(3), a person aggrieved by the order has the further right to file one petition for rehearing as provided in Wis. Stat. § 227.49. The petition must be filed within 20 days of the date of mailing of this decision.

If this decision is an order after rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not an option.

This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

Revised 9/28/98

APPENDIX A

This docket is not a contested case under Wis. Stat. ch. 227. Therefore there are no parties to be listed or certified under Wis. Stat. § 227.47. However, an investigation was conducted, and the persons listed below participated.

Public Service Commission of Wisconsin

(Not a party but must be served)

610 North Whitney Way

Madison, WI 53707-7854

WISCONSIN STATE TELECOMMUNICATIONS ASSOCIATION,
INC. (WSTA)

Mr. William Esbeck

6602 Normandy Lane

Madison, WI 53719

APPENDIX B

Part 32, Uniform System of Accounts for Telecommunications Companies, as adopted by this Commission is amended, effective January 1, 2004, as follows (underline and strikethrough functions utilized):

Section 32.14 is amended by revising paragraphs (c), (d), and (f) and adding Note A to read as follows:

§ 32.14 Regulated accounts.

(a) ***

(b) ***

(c) In the application of detailed accounting requirements contained in this part, the investments, expenses and other costs which are associated with the joint provision of regulated products and services and any other product or service shall be accounted for initially as a regulated investment, expense or other costs. Such joint costs shall be distributed between a) regulated products and services and b) other products and services, in accordance with procedures approved by this commission.~~when a regulated activity involves the common or joint use of assets and resources in the provision of regulated and nonregulated products and services, companies shall account for these activities within the accounts prescribed in this system for telephone company operations. Assets and expenses shall be subdivided in subsidiary records among amounts solely assignable to nonregulated activities, amounts solely assignable to regulated activities, and amounts related to assets used and expenses incurred jointly or in common, which will be allocated between regulated and nonregulated activities. Companies shall submit reports identifying regulated and nonregulated amounts in the manner and at the times prescribed by this Commission. Nonregulated revenue items not qualifying for incidental treatment, as provided in § 32.4999(1), shall be recorded in Account 5280, Nonregulated operating revenue.~~

(d) Other income items which are incidental to the provision of regulated telecommunications products and services shall be recorded in the detailed regulated accounts~~accounted for as regulated activities.~~ Other income items which are wholly attributable to other than regulated telecommunications products and services shall not be included in the accounts prescribed for regulated telecommunications products and services.

(e) ***

(f) All items of ~~nonregulated~~ revenue, investment and expense that are not properly includible in the detailed, regulated accounts prescribed in subparts A through F of this part, as determined by paragraphs (a) through (e) of this section shall be accounted for and included in reports to this ~~C~~ommission as specified in § 32.23 of this subpart.

Note A: Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting prescribed by the Federal

Communications Commission for this activity. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

Section 32.23 is amended to read as follows:

§ 32.23 Nonregulated activities.

(a) The nonregulated accounts described in this section shall include the results of the company's nonregulated activities for purposes of accounting and reporting to this commission. ~~This section describes the accounting treatment of activities classified for accounting purposes as "nonregulated." Preemptively deregulated activities and activities (other than incidental activities) never subject to regulation will be classified for accounting purposes as "nonregulated." Activities that qualify for incidental treatment under the policies of this Commission will be classified for accounting purposes as regulated activities. Activities that have been deregulated by a state will be classified for accounting purposes as regulated activities. Activities that have been deregulated at the interstate level, but not preemptively deregulated, will be classified for accounting purposes as regulated activities until such time as this Commission decides otherwise. The treatment of nonregulated activities shall differ depending on the extent of the common or joint use of assets and resources in the provision of both regulated and nonregulated products and services.~~

(b) The nonregulated accounts described in this section are to be used only by those companies which are engaged in the provision of both regulated telecommunications products and services and other products and services through a single entity. ~~When a nonregulated activity does not involve the joint or common use of assets and resources in the provision of both regulated and nonregulated products and services, carriers shall account for these activities on a separate set of books consistent with instructions set forth in §§ 32.1406 and 32.7990. Transfers of assets, and sales of products and services between the regulated activity and a nonregulated activity for which a separate set of books is maintained, shall be accounted for in accordance with the rules presented in § 32.27, Transactions with Affiliates. In the separate set of books, carriers may establish whatever detail they deem appropriate beyond what is necessary to provide this Commission with the information required in §§ 32.1406 and 32.7990.~~

(c) Detailed cost data for nonregulated activities shall be maintained. The amounts to be included in the accounts prescribed by this commission (see paragraph (d) below) shall be determined in accordance with the instructions contained in paragraphs 32.14(a) through 32.14(f) of this part. ~~When a nonregulated activity does involve the joint or common use of assets and resources in the provision of regulated and nonregulated products and services, carriers shall account for these activities within accounts prescribed in this system for telephone company operations. Assets and expenses shall be subdivided in subsidiary records among amounts solely assignable to nonregulated activities, amounts solely assignable to regulated activities, and amounts related to assets and expenses incurred jointly or in common, which will be allocated between regulated and nonregulated activities. Carriers shall submit reports identifying regulated and nonregulated amounts in the manner and at the times prescribed by this Commission. Nonregulated revenue items not qualifying for incidental treatment as provided in § 32.4999(l) of this part, shall be recorded in separate subsidiary record categories of Account~~

~~5280, Nonregulated operating revenue. Amounts assigned or allocated to regulated products or services shall be subject to Part 36 of this chapter.~~

Note A: Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting prescribed by the Federal Communications Commission for this activity. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

(d) The following accounts shall be maintained:
Account 1406, Nonregulated investments
Account 7100, Other operating income and expenses
Account 7990, Nonregulated net income

Section 32.102 is amended to read as follows:

§ 32.102 Nonregulated investments.

Nonregulated investments shall include the investment in nonregulated activities that are conducted through the same legal entity as the telephone company operations, ~~but do not involve the joint or common use of assets or resources in the provision of both regulated and nonregulated products and services.~~ See §§ 32.14 and 32.23.

Note A: Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting prescribed by the Federal Communications Commission for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

Section 32.1220 is amended by revising paragraphs (a) and (b) and adding Note A to read as follows:

§ 32.1220 Inventories.

(a) This account shall include the cost of materials and supplies held in stock, in process of manufacture for supply stock, and inventories of goods held for resale or lease. The investment in inventories shall be maintained in the following subaccounts:

1220.1 Material and supplies

1220.2 Property held for sale or lease

(b) Except for items held for sale or lease, tThese subaccounts shall not include items which are related to a nonregulated activity unless that activity involves joint or common use of assets and resources in the provision of regulated and nonregulated products and services. (Note also Account 1406, Nonregulated investments.)

(c) ***

(d) ***

(e) ***

- (f) ***
- (1) ***
- (2) ***
- (3) ***
- (4) ***
- (g) ***
- (h) ***
- (i) ***

Note A: Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting prescribed by the Federal Communications Commission for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

Section 32.1406 is amended to read as follows:

§ 32.1406 Nonregulated investments.

(a) For Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission, This account shall include the carrier's investment in nonregulated activities accounted for in a separate set of books as provided in § 32.23(b) of the Federal Communications Commission's uniform system of accounts. For other telephone companies, this account shall include all of the company's investment in physical property both in service and in stock, together with related accumulated depreciation that is used or held entirely for other than regulated telecommunications services. (Note also Account 1220, Inventories.) It shall include the amount of all assessments for the construction of public improvements levied against nonregulated physical property utilized in nonregulated operations. Expenses directly incurred or allocated expenses associated with nonregulated activities shall be charged to Account 7990.2, Nonregulated expenses.

(b) This account shall be subdivided as follows:

| | |
|----------------|-----------------------------|
| <u>1406.10</u> | <u>Permanent investment</u> |
| <u>1406.11</u> | <u>Depreciation reserve</u> |
| <u>1406.12</u> | <u>Inventory</u> |

Note A: Please refer to Section 32.2311, paragraph (h); Section 32.2321, paragraph (b); Section 32.2341, paragraph (g); and Section 32.2351, Note A.

Note B: Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting prescribed by the Federal Communications Commission for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

Section 32.2311 is amended by revising paragraph (h) and adding Note A and Note B to read as follows:

§ 32.2311 Station apparatus.

- (a) ***
- (b) ***
- (c) ***
- (d) ***
- (e) ***
- (f) ***
- (g) ***

(h) Embedded CPE is that equipment or inventory which was tarified or otherwise subject to the jurisdictional separations process as of January 1, 1983. This account shall be used only by companies that have been permitted to offer tarified CPE beyond December 31, 1987. CPE inventory includes the equipment in field stock and refurbished equipment held by the carrier on January 1, 1983. To the extent that CPE equipment is not embedded, the costs shall be charged to Account 1406, Nonregulated investments, or Account 7990, Nonregulated net income, as appropriate.

Note A: Items that would have been included in this account are no longer classified as regulated property in Wisconsin and should be accounted for in Account 1406.10, Nonregulated investments-Permanent investment.

Note B: Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting prescribed by the Federal Communications Commission for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

Section 32.2321 is amended by revising paragraph (b) and adding Note A and Note B to read as follows:

§ 32.2321 Customer premises wiring.

- (a) ***

(b) Embedded Customer Premises Wiring is that investment in customer premises wiring equipment or inventory which was capitalized prior to October 1, 1984. To the extent that customer premises inside wiring is not embedded, the costs shall be charged to Account 1406, Nonregulated investments, or Account 7990, Nonregulated net income, as appropriate.

Note A: Items that would have been included in this account are no longer classified as regulated property in Wisconsin and should be accounted for in Account 1406.10, Nonregulated investments-Permanent investment.

Note B: Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting prescribed by the Federal Communications Commission for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

Section 32.2341 is amended by revising paragraph (g) and adding Note A and Note B to read as follows:

§ 32.2341 Large private branch exchanges.

- (a) ***
- (b) ***
- (c) ***
- (d)-(e) ***
- (f) ***

(g) Embedded CPE is that equipment or inventory which is tariffed or otherwise subject to the jurisdictional separations process as of January 1, 1983. This account shall be used only by companies that have been permitted to offer tariffed CPE beyond December 31, 1987. CPE inventory includes the equipment in field stock and refurbished equipment held by the carrier on January 1, 1983. (Inventories of large private branch exchanges equipment are included in Account 1220, Inventories.) To the extent that CPE equipment is not embedded, the costs shall be charged to Account 1406, Nonregulated investments, or Account 7990, Nonregulated net income, as appropriate.

Note A: Items that would have been included in this account are no longer classified as regulated property in Wisconsin and should be accounted for in Account 1406.10, Nonregulated investments-Permanent investment.

Note B: Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting prescribed by the Federal Communications Commission for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

Section 32.2351 is amended to read as follows:

§ 32.2351 Public telephone terminal equipment.

(a) This account shall include the original cost of ~~public interest coinless, coin-operated (including public and semi-public), credit card and pay telephones,~~ public interest coinless, coin-operated (including public and semi-public), credit card and pay telephones, as defined in Wis. Admin. Code § PSC 160.073, installed for use by the public.

(b) This account shall also include the original cost of operating spares that are required to provide a continuity of service for public interest pay telephones. The operating spares shall not exceed six months supply in terms of turnover and be available to installers from locations in reasonable proximity to the location of the installed equipment.

(c) The original cost of installing public interest pay telephone equipment shall not include the labor and minor materials costs of installing the public interest pay telephone equipment or premises wiring. These costs as well as the cost of replacing a public interest pay telephone shall be charged to Account 6351, Public Telephone Terminal Equipment Expense. The labor and minor materials costs of removal of public interest pay telephones will also be charged to Account 6351.

Note A: Other than the original cost of public interest pay telephones, the original cost of coinless, coin-operated (including public and semi-public), credit card and pay telephones installed for the use of the public are no longer classified as regulated property in Wisconsin and should be accounted for in Account 1406.10, Nonregulated investments-Permanent investment.

Note B: Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting prescribed by the Federal Communications Commission for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

Section 32.4999 is amended by revising paragraph (l) and adding Note A to read as follows:

§ 32.~~4999~~ General.

- (a) ***
- (b) ***
- (c) ***
- (d) ***
- (e) ***
- (f) ***
- (1) ***
- (g) ***
- (1) ***
- (2) ***
- (3) ***
- (h) ***
- (i) ***
- (1) ***
- (2) ***
- (j) ***
- (k) ***

(l) Nonregulated revenues. The nonregulated revenue account shall be used for nonregulated operating revenues when a nonregulated activity involves the common or joint use of assets or resources in the provision of regulated and nonregulated products or services and when such activity is accounted for as required in § 32.23(c) of this subpart, within the accounts prescribed in this system for telephone company operations. Revenues from nontariffed activities offered incidental to tariffed services may be accounted for as regulated revenues, provided the activities

are outgrowths of regulated operations and the revenues do not exceed, in the aggregate, one percent of total revenues for three consecutive years. Such activities must be listed in the Commission-approved Cost Allocation Manual for any company required to file a Cost Allocation Manual.

Note A: Paragraph (1) is not adopted for utilities other than Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted similar treatment by the commission; however, Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting prescribed by the Federal Communications Commission for this activity. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

(m) ***

(n) ***

Section 32.5001 is amended by adding paragraph (a)(5) to read as follows:

§ 32.5001 Basic area revenue.

(a) ***

(1) ***

(2) ***

(3) ***

(4) ***

(5) Message revenue (e.g., coin paid) and other revenue derived from public interest pay telephone services within the basic service area.

(b) ***

(c) ***

Section 32.5200 is amended by revising paragraphs (a)(11)(vi), (a)(11)(vii), and (a)(11)(viii) and adding Note A and Note B to read as follows:

§ 32.5200 Miscellaneous revenue.

(a) ***

(1) ***

(2) ***

(3) ***

(4) ***

(5) ***

(6) ***

(7) ***

(8) ***

(9) ***

(10) ***

(11) ***

(i) ***

(ii) ***

(iii) ***

(iv) ***

(v) ***

(vi) Revenue from private mobile telephone services which do not have access to the public switched network; ~~and~~

(vii) Revenues associated with third party information and materials included by the utility with customer billings; and

(viii) Other incidental revenue not provided for elsewhere in other Revenue accounts.

(12) ***

Note A: Other than losses of revenue collections due to fire or theft associated with public interest pay telephones, losses of revenue collections that would have been included in this account for coinless, coin-operated (including public and semi-public), credit card and pay telephones installed for the use of the public are no longer classified as regulated in Wisconsin and should be accounted for in Account 7990.1.

Note B: Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting for pay telephone activity prescribed by the Federal Communications Commission for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

Section 32.5280 is amended by revising paragraph (a) and adding Note A to read as follows:

§ 32.**5280** Nonregulated operating revenue.

(a) This account shall include revenues derived from a nonregulated activity involving the common or joint use of assets or resources in the provision of regulated and nonregulated products or services which are not provided elsewhere in this system of accounts.

(b) ***

(c) ***

Note A: This account is not adopted for utilities other than Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted similar treatment by the commission; however, Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow the accounting prescribed by the Federal Communications Commission for this activity. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

Section 32.6311 is amended by adding Note A and Note B to read as follows:

§ 32.**6311** Station apparatus expense.

Note A: Items that would have been included in this account are no longer classified as regulated in Wisconsin and should be accounted for in Account 7990.2.

Note B: Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting prescribed by the Federal Communications Commission for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

Section 32.6341 is amended by adding Note A and Note B to read as follows:

§ 32.**6341** Large private branch exchange expense.

Note A: Items that would have been included in this account are no longer classified as regulated in Wisconsin and should be accounted for in Account 7990.2.

Note B: Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting prescribed by the Federal Communications Commission for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

Section 32.6351 is amended by adding Note A and Note B to read as follows:

§ 32.**6351** Public telephone terminal equipment expense.

Note A: Other than items associated with public interest pay telephones, items that would have been included in this account for coinless, coin-operated (including public and semi-public), credit card and pay telephones installed for the use of the public are no longer classified as regulated in Wisconsin and should be accounted for in Account 7990.2.

Note B: Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting prescribed by the Federal Communications Commission for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

Section 32.6623 is amended by revising paragraph (a)(4) and adding paragraph (c) and Note A and Note B to read as follows:

§ 32.**6623** Customer services.

(a) ***

(1) ***

(2) ***

(3) ***

(4) Collecting and reporting public interest pay telephone station receipts; and

(5) ***

(b) ***

(c) This account shall also include costs associated with third party information and materials included by the utility with customer billings.

Note A: Other than items associated with public interest pay telephones, items that would have been included in this account for coinless, coin-operated (including public and semi-public), credit card and pay telephones installed for the use of the public are no longer classified as regulated in Wisconsin and should be accounted for in Account 7990.2.

Note B: Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting prescribed by the Federal Communications Commission for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

Section 32.6999 is amended by adding paragraph (c) to read as follows:

§ 32.**6999** General.

(a) ***

(b) ***

(c) Gains or Losses Associated With Debt Refinancing.

The utility may elect to account for amounts by immediate write off to account 7300, Nonoperating income and expense, where the amounts are insignificant. If the utility desires to immediately write off significant amounts or amortize these amounts, the permission of the commission must be obtained. However, permission of the commission shall not be necessary if the utility proceeds to amortize by equal monthly charges, from the date of refinancing, the deferrals associated with the refunded bonds, over a period equivalent to that in which the net saving in monthly interest and amortization charges associated with the old debt equals the amortization of debt refinancing charges.

Choosing the above amortization method does not preclude the utility from requesting or the commission from authorizing a different amortization method at the time of a rate case.

The amounts being amortized shall be credited or charged to account 7300, Nonoperating income and expense.

Section 32.7100 is amended by revising paragraph (a)(1) to read as follows:

§ 32.7100 Other operating income and expenses.

(a) ***

(1) Profits realized from custom work (plant construction) performed for others incident to the company's regulated telecommunications operations. This includes profits from the incidental performance of nontariffed construction activities (including associated engineering and design) for others which are similar in nature to those activities which are performed by the company in constructing its own telecommunications plant facilities. The records supporting the entries in this account for income from ~~and~~ custom work shall be maintained with sufficient particularity to identify separately the revenue and costs associated with each undertaking.

(2) ***

(3) ***

(4) ***

(5) ***

Section 32.7990 is amended to read as follows:

§ 32.7990 Nonregulated net income.

(a) This account shall include the net earnings or losses derived from nonregulated operations of the company. Earnings or losses from nonregulated operations shall reflect all revenues, direct expenses and any joint expenses allocable to nonregulated operations, including the related income tax effects. ~~This account shall be used by those companies who offer nonregulated activities that do not involve the joint or common use of assets or resources used in the provision of both regulated and nonregulated products and services, and which have not established a separate subsidiary for that purpose.~~

Note A: Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting prescribed by the Federal Communications Commission for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

(b) This account shall be maintained by the following subaccounts:

7990.1 Nonregulated revenues

7990.2 Nonregulated expenses

(i) These accounts shall include respectively, all revenues derived from nonregulated activities and all expenses incurred in such activities.

(ii) Records in support of these accounts shall be so kept as to permit ready summarization of revenues, costs and expenses by major items such as equipment sales, repair revenues, cost of goods sold, sales labor, installation labor, repair labor, materials and supplies

for installation, maintenance and repair billing costs, advertising and promotions, administrative and supervisory labor, office supplies and expenses, rents, insurance, pensions and benefits, depreciation and taxes. ~~All revenue and expenses (including taxes) incurred in these nonregulated activities shall be recorded on separate books of account for such operations. Only the net of the total revenues and total expenses shall be recorded in this account, with a contra debit or credit to account 1406.3.~~

ITEMS (Not necessarily an all-inclusive list)

Account 7990.1

1. Revenues from the sale and installation of new nontariffed telephone equipment and inside wire.
2. Revenues from the sale and installation of other nonregulated equipment.
3. Revenues from the lease of nontariffed telephone equipment and inside wire.
4. Revenues from the lease of other nonregulated equipment.
5. Revenues from repair of customer owned telephone equipment and inside wire.
6. Revenue from the repair of other nonregulated equipment.
7. Revenue from all other nonregulated activities.

Account 7990.2

Labor

1. Canvassing and demonstrating telephone equipment or inside wiring for the purpose of selling.
2. Demonstrating and selling activities in salesroom.
3. Installing nontariffed leased or customer owned equipment and inside wiring.
4. Preparing advertising materials for equipment lease or sales purposes or for other nonregulated activities.
5. Receiving and handling orders for the sale, lease, installation and maintenance of customer owned or nontariffed leased telephone equipment and inside wiring and other nonregulated activities.
6. Cleaning and tidying salesrooms.
7. Maintaining display counters and other equipment used in telephone equipment merchandising and other nonregulated activities.
8. Arranging merchandise in salesrooms and decorating display windows.
9. Reconditioning repossessed and returned equipment.
10. Bookkeeping and other clerical work in connection with telephone equipment sales and leasing and other nonregulated activities.
11. Supervising telephone equipment sales and leasing and other nonregulated activities.
12. Repair and maintenance of customer owned or leased equipment.

Materials and Expenses

13. Advertising in newspapers, periodicals, radio, television, etc.
14. Cost of merchandise sold and of materials used.
15. Stores expenses on telephone equipment stocks held for sale or lease.
16. Fees and expenses of advertising and commercial artists' agencies.
17. Printing booklets, dodgers, and other advertising data.
18. Premiums given as inducement to buy or lease telephone equipment.
19. Light, heat and power.
20. Depreciation on equipment used for installation, repair or maintenance of customer owned or leased telephone equipment and inside wire.
21. Rent of salesrooms or of equipment.
22. Transportation expense in delivery and pick-up of customer owned or leased equipment.
23. Stationary and office supplies and expenses.
24. Losses from uncollectible accounts associated with the sale and lease of telephone equipment and other nonregulated activities.
25. Related taxes.